Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

July 2016: budgetary deficit of $1.8 billion

There was a budgetary deficit of $1.8 billion in July 2016, compared to a surplus of $0.2 billion in July 2015. Revenues decreased by $0.8 billion, or 3.1 per cent, due mainly to lower corporate income tax and Goods and Services Tax (GST) revenues. Program expenses increased by $1.4 billion, or 6.5 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges decreased by $0.2 billion, or 9.2 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds and a lower average effective interest rate on the stock of interest-bearing debt.

April to July 2016: budgetary deficit of $2.8 billion

For the April to July 2016 period of the 2016–17 fiscal year, the Government posted a budgetary deficit of $2.8 billion, compared to a surplus of $5.2 billion reported in the same period of 2015–16. Revenues were down $2.3 billion, or 2.3 per cent, reflecting decreases in other revenues and excise taxes and duties. Program expenses were up $6.5 billion, or 7.8 per cent, due to increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $0.8 billion, or 9.0 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds and a lower average effective interest rate on the stock of interest-bearing debt.

July 2016

There was a budgetary deficit of $1.8 billion in July 2016, compared to a surplus of $0.2 billion in July 2015.

Revenues decreased by $0.8 billion, or 3.1 per cent, to $23.1 billion.

- Personal income tax revenues were up $0.5 billion, or 4.2 per cent.
- Corporate income tax revenues were down $0.7 billion, or 24.5 per cent.
- Non-resident income tax revenues were up $4 million, or 0.8 per cent.
- Excise taxes and duties were down $0.4 billion, or 9.4 per cent. This decrease is mostly due to a $0.4-billion, or 11.1-per-cent, decrease in GST revenues. Energy taxes and customs import duties were each down $0.1 billion, while other excise taxes and duties were up $0.1 billion.
- Employment Insurance (EI) premium revenues were up $33 million, or 1.8 per cent, reflecting growth in earnings.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were down $0.1 billion, or 5.1 per cent.

Program expenses in July 2016 were $22.7 billion, up $1.4 billion, or 6.5 per cent, from July 2015.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.6 billion, or 9.7 per cent. Elderly benefits increased by $0.2 billion, or 6.3 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.1 billion, or 9.0 per cent. Children's benefits increased by $0.3 billion, or 18.4 per cent, reflecting the new Canada Child Benefit, which has replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.

- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.3 billion, or 5.0 per cent, mainly due to legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $0.4 billion, or 5.1 per cent. Within direct program expenses:
  - Transfer payments increased by $0.2 billion, or 11.0 per cent.
  - Other direct program expenses increased by $0.2 billion, or 3.0 per cent.

Public debt charges decreased by $0.2 billion, or 9.2 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds and a lower average effective interest rate on the stock of interest-bearing debt.

April to July 2016

For the April to July 2016 period of the 2016–17 fiscal year, there was a budgetary deficit of $2.8 billion, compared to a surplus of $5.2 billion reported during the same period of 2015–16.

Revenues decreased by $2.3 billion, or 2.3 per cent, to $94.9 billion.

- Personal income tax revenues were up $0.9 billion, or 2.0 per cent.
- Corporate income tax revenues were down $0.5 billion, or 3.9 per cent.
- Non-resident income tax revenues were down $0.1 billion, or 3.1 per cent.
- Excise taxes and duties were down $0.9 billion, or 4.9 per cent. This fall is mostly due to a $0.6-billion, or 4.6-per-cent, decrease in GST revenues and a $0.3-billion, or 15.0-per-cent, decrease in energy taxes. Customs import duties were down $9 million, and other excise taxes and duties were down $35 million.
- EI premium revenues were up $0.1 billion, or 1.6 per cent, reflecting growth in earnings.
- Other revenues were down $1.8 billion, or 16.3 per cent. This decline largely reflects the $2.1-billion gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015, which did not recur in 2016.

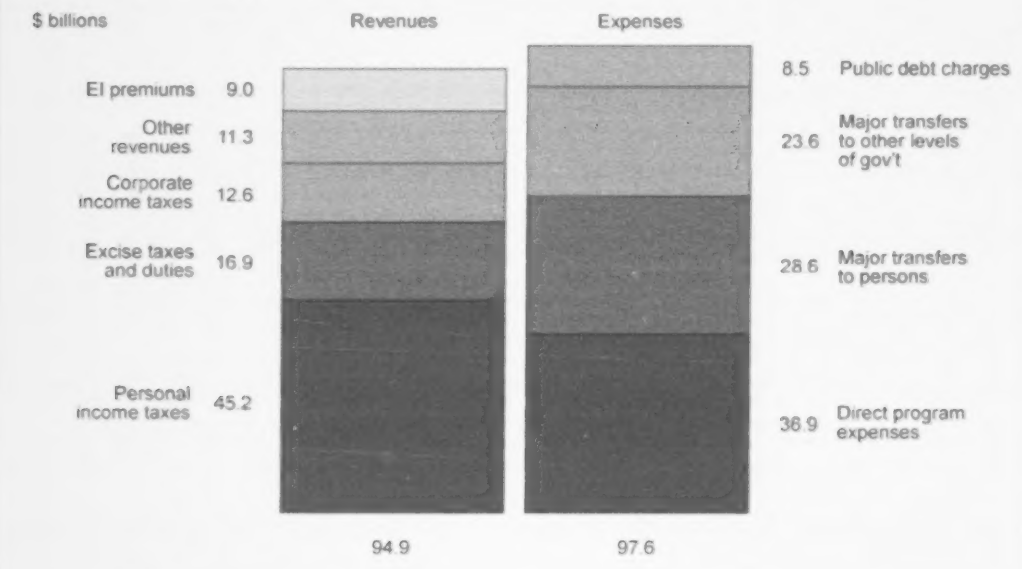
For the April to July 2016 period, program expenses were $89.1 billion, up $6.5 billion, or 7.8 per cent, from the same period the previous year.

- Major transfers to persons were up $1.5 billion, or 5.4 per cent. Elderly benefits increased by $0.7 billion, or 4.6 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.3 billion, or 4.9 per cent. Children's benefits were up $0.5 billion, or 7.7 per cent, largely reflecting the new Canada Child Benefit, which has replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.
- Major transfers to other levels of government were up $1.1 billion, or 4.8 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses were up $3.9 billion, or 11.9 per cent. Within direct program expenses:
  - Transfer payments increased by $2.0 billion, or 21.0 per cent, reflecting year-over-year differences in the timing of the transfers and an increase in transfers for disaster assistance.

- Other direct program expenses increased by $1.9 billion, or 8.2 per cent, due in large part to an increase in pension and benefit costs based on the Government's latest actuarial valuations, as well as an increase in operating expenses of Crown corporations.

Public debt charges decreased by $0.8 billion, or 9.0 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds and a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April to July 2016)



Note: Totals may not add due to rounding.

Financial requirement of $17.4 billion for April to July 2016

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $2.8 billion and a requirement of $14.6 billion from non-budgetary transactions, there was a financial requirement of $17.4 billion for the April to July 2016 period, compared to a financial requirement of $14.2 billion for the same period the previous year.

Net financing activities up $26.8 billion

The Government financed this financial requirement of $17.4 billion and increased cash balances by $9.5 billion by increasing unmatured debt by $26.8 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of July 2016 stood at $47.3 billion, up $9.1 billion from their level at the end of July 2015.

Table 1
Summary statement of transactions
$ millions

	July		April to July	
	2015	2016	2015–16	2016–17
Budgetary transactions				
Revenues	23,856	23,105	97,171	94,890
Expenses				
Program expenses	-21,334	-22,716	-82,630	-89,112
Public debt charges	-2,372	-2,153	-9,380	-8,537
Budgetary balance (deficit/surplus)	150	-1,764	5,161	-2,759
Non-budgetary transactions	-9,137	-2,020	-19,401	-14,601
Financial source/requirement	-8,987	-3,784	-14,240	-17,360
Net change in financing activities	19,214	12,567	24,515	26,818
Net change in cash balances	10,227	8,783	10,275	9,458
Cash balance at end of period			38,226	47,303

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	July			April to July		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	11,467	11,946	4.2	44,317	45,188	2.0
Corporate income tax	2,840	2,143	-24.5	13,138	12,621	-3.9
Non-resident income tax	507	511	0.8	1,878	1,820	-3.1
Total income tax	14,814	14,600	-1.4	59,333	59,629	0.5
Excise taxes and duties						
Goods and Services Tax	3,250	2,888	-11.1	12,100	11,546	-4.6
Energy taxes	476	395	-17.0	1,852	1,574	-15.0
Customs import duties	526	470	-10.6	1,733	1,724	-0.5
Other excise taxes and duties	494	548	10.9	2,043	2,008	-1.7
Total excise taxes and duties	4,746	4,301	-9.4	17,728	16,852	-4.9
Total tax revenues	19,560	18,901	-3.4	77,061	76,481	-0.8
Employment Insurance premiums	1,838	1,871	1.8	8,810	8,952	1.6
Other revenues	2,458	2,333	-5.1	11,300	9,457	-16.3
Total revenues	23,856	23,105	-3.1	97,171	94,890	-2.3

Note: Totals may not add due to rounding.

Table 3
Expenses

	July			April to July		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,712	3,947	6.3	14,971	15,666	4.6
Employment Insurance benefits	1,349	1,470	9.0	6,165	6,469	4.9
Children's benefits	1,553	1,839	18.4	5,968	6,430	7.7
Total	6,614	7,256	9.7	27,104	28,565	5.4
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,836	3,006	6.0	11,342	12,023	6.0
Canada Social Transfer	1,080	1,112	3.0	4,320	4,449	3.0
Total	3,916	4,118	5.2	15,662	16,472	5.2
Fiscal arrangements and other transfers	1,703	1,750	2.8	7,421	7,620	2.7
Canada's cities and communities	979	1,036	5.8	979	1,036	5.8
Quebec Abatement	-384	-381	-0.8	-1,538	-1,526	-0.8
Total	6,214	6,523	5.0	22,524	23,602	4.8
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	72	65	-9.7	247	205	-17.0
Employment and Social Development Canada	424	388	-8.5	1,798	1,781	-0.9
Global Affairs Canada	132	310	134.8	662	952	43.8
Health Canada	318	297	-6.6	1,179	1,282	8.7
Indigenous and Northern Affairs Canada	546	601	10.1	2,143	2,383	11.2
Innovation, Science and Economic Development Canada	177	302	70.6	707	836	18.2

Other	550	500	-9.1	2,918	4,240	45.3
Total	2,219	2,463	11.0	9,654	11,679	21.0
Other direct program expenses						
Crown corporations	614	740	20.5	2,644	3,055	15.5
National Defence	1,729	1,990	15.1	6,349	7,164	12.8
All other departments and agencies	3,944	3,744	-5.1	14,355	15,047	4.8
Total other direct program expenses	6,287	6,474	3.0	23,348	25,266	8.2
Total direct program expenses	8,506	8,937	5.1	33,002	36,945	11.9
Total program expenses	21,334	22,716	6.5	82,630	89,112	7.8
Public debt charges	2,372	2,153	-9.2	9,380	8,537	-9.0
Total expenses	23,706	24,869	4.9	92,010	97,649	6.1

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	July		April to July	
	2015	**2016**	**2015–16**	**2016–17**
Budgetary balance (deficit/surplus)	150	-1,764	5,161	-2,759
Non-budgetary transactions				
Capital investment activities	-377	-330	-1,101	-761
Other investing activities	-593	-845	-888	-2,748
Pension and other accounts	93	508	347	1,430
Other activities				
Accounts payable, receivables, accruals and allowances	-3,890	-1,287	-16,854	-12,349
Foreign exchange activities	-4,679	-351	-2,395	-1,386
Amortization of tangible capital assets	309	285	1,490	1,213
Total other activities	-8,260	-1,353	-17,759	-12,522
Total non-budgetary transactions	-9,137	-2,020	-19,401	-14,601
Financial source/requirement	-8,987	-3,784	-14,240	-17,360

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	July		April to July	
	2015	2016	2015–16	2016–17
Financial source/requirement	-8,987	-3,784	-14,240	-17,360
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	8,750	13,065	7,763	13,234
Treasury bills	6,000	-900	11,200	13,100
Retail debt	-21	20	-79	89
Total	14,729	12,185	18,884	26,423
Foreign currency borrowings	1,895	-631	2,954	458
Total	16,624	11,554	21,838	26,881
Cross-currency swap revaluation	2,626	900	2,410	-499
Unamortized discounts and premiums on market debt	-21	126	372	544
Obligations related to capital leases and other unmatured debt	-15	-13	-105	-108
Net change in financing activities	19,214	12,567	24,515	26,818
Change in cash balance	10,227	8,783	10,275	9,458

Note: Totals may not add due to rounding.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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